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March, 1982

Buyer's Guide Issue

Casino Fuel Stop Gambles on Utah Border Trade

Why a Jobber Chose Liquidation over Bankruptcy

Chinese Gasoline Rips West Coast Markets

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C-Store Chains Fight for Volume

The New Big Spenders

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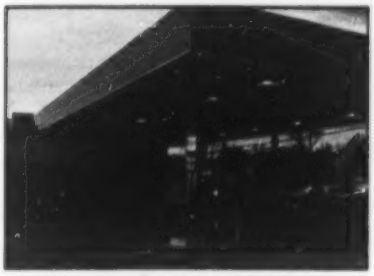
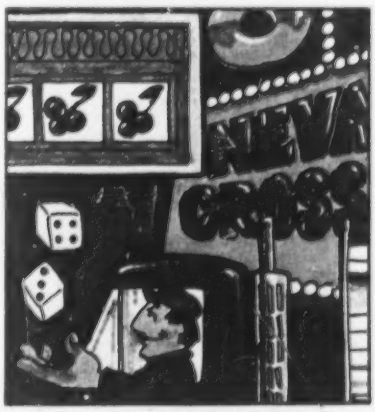


Gasoline was once just another item for them, but today major convenience store chains are posturing for what could become a knockdown, drag-out fight with large independents and majors for market share at the retail level. Page 38.

Michigan marketer Robert Amori was losing $20,000 a month in his two jobber businesses last year, a casualty of the tough free market conditions. Rather than go bankrupt or sell the companies outright, he liquidated piecemeal, gaining a cash flow boost, tax advantages and new business opportunities. Page 44.



With a bullish shake of the dice, some Nevada livestock and gaming interests with no background in oil marketing hope to have travelers on Interstate 80 filling up and crapping out when they open their $11-million casino-truckstop combination next month. Page 46.

• TRENDS

Multi-Branders on the Rise In Competitive Price Climate

A practice which most major suppliers encouraged during the days of critical supply problems under federal price and allocation controls is beginning to rip to shreds something they once took great pride in—jobber loyalty at their product supply racks.

The trend by branded jobbers today is to purchase product wherever they can at the lowest price.

This is beginning to cause major shifts in the way refiners price their product. Rather than putting the emphasis on meeting retail price competition, as they did before the era of controls, the refiners now find that their real competition for business is at the wholesale racks. Marketers say they don't know whether this trend is good or bad for the industry. They see developing from it, however, a more distant relationship between refiners and jobbers.

Prior to federal controls in the 1970s, almost all branded jobbers were content to fly one company's flag and purchase all of their products from that company. Indeed, there were many fringe benefits to encourage loyalty, including such lucrative items as liberal guaranteed margins during times of depressed retail prices.

The federal controls helped bring this practice to an end. Refiners, hamstrung by the regulations when it came to offering extra supply to their jobbers for growth, generally okayed requests by marketers to turn elsewhere for additional supply. Now, many wish they could turn the clock back to the way conditions were, but they can't.

"We certainly don't like for our jobbers to buy product from other suppliers today," says one marketing vice president, "because we can more than take care of their needs now. But there isn't much we can do about it."

This executive's lament is shared by a number of others. Refiner-supplier people say they often have a difficult time with their production schedules because they can no longer be certain about product purchases by their jobbers.

The jobbers, meanwhile, generally say they may be as loyal as ever to their primary supplier—if that supplier is "competitive with the market." The majority of them quickly add, however, that their particular suppliers are not always competitive, so they shop around for lower prices.

Some jobbers today may be distributors under two or more major brands plus one or more private labels. They have several supply sources and most say they're always shopping for more. One jobber, for example, flies two major flags, his own private label and has 15 suppliers of record. Even so, he says he will turn to the "spot market" when he can buy product in it at a better price.

The value of loyalty to a particular brand is becoming less and less, reports from jobbers indicate. In the prevailing market, one says he will switch from one branded supply source to another for 0.125¢ gal., all other things being equal. The majority of jobbers now talk in terms of 0.75¢ to 1¢ gal. as the breaking point at which they'll switch from a branded to an unbranded source of supply.

"It's lower than that at times," says one large jobber. "In this business today, you've got to really put the pencil to your net-net buying price. You have to take into account cash discounts, hauling allowances, rebates and anything else you can get out of a supplier. You have to figure out exactly what you are paying and what the next guy is paying. If you are priced out of the market by as little as a penny, you've got problems."

Marketers say it takes just such close figuring to survive in today's cutthroat price competition at retail.

Refiners increasingly are trying to hold jobbers to whatever promises they have made for purchasing certain amounts of product. Recently, according to some jobbers, a few of the larger majors have "become a lot more hardnosed" about their distributors buying elsewhere.

At the same time, most of the refiners have become far more sensitive to price conditions at wholesale.

One jobber who purchases product from three majors and as many as a dozen independent refiners says one of his majors now requests a rundown on other wholesale prices available to him when he pleads for a price reduction. If he can prove to this company that he is getting product offered to him at lower prices, he sometimes gets the reduction.

"You spend your time now checking the lowest wholesale prices," says the jobber. "In the past, you ran retail price surveys to get price protection."

Some jobbers, of course, are tempted to play price games with their suppliers but most majors say they avoid this. "They [jobbers] let us know quickly what our competitors are offering and this is valuable information for us," says one major. "But they are not going to beat us over the head on prices."

Maybe not, but many jobbers say they are kept busy these days fighting off solicitations from competitive suppliers trying to get some of their business. This circumstance is causing refiners to be increasingly competitive at their wholesale supply docks. —**Marvin Reid**

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

DECEMBER	Gasoline (all types)	Leaded Regular	Unleaded Regular	Leaded Premium
U.S. City Avg.	$1.348	$1.293	$1.365	$1.460
Regions:				
Northeast	1.376	1.329	1.381	NA
North Central	1.333	1.289	1.357	1.424
South	1.321	1.264	1.340	NA
West	1.390	1.320	1.408	1.471

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	1/22/82	1/23/81
Gasoline (total)	257,383	272,156
Gasoline (unleaded*)	99,582	101,748
Kerosine **	47,109	50,804
Distillates	174,521	185,047
Residual	79,020	84,905

**Included in gasoline total.*
***Includes jet fuel.*
Source: American Petroleum Institute.

Money Handlers Target Gasoline Receipts

The Petroleum Equipment Institute (PEI) is getting lots of calls at its Tulsa, Okla., headquarters nowadays from market researchers connected with large banks, credit card companies, computer concerns and electronics manufacturing firms, reports Howard Upton, PEI's executive vice president.

There is much significance in the inquiries, Upton believes. Such outfits see the possibility of automated gasoline marketing on the near horizon and they want in on the action.

Upton says there is a $500-million a day reason why such outfits are interested. He estimates the amount is roughly equal to the daily gross receipts in the retail gasoline business, assuming about 10-million b/d of motor fuel consumed at around $1.20 gal., including taxes.

The financial community gets turned on when it considers all that money and how much could be made helping marketers handle it. Suppose, says Upton, one is able to offer an oil marketer an automated dispensing program, tied into a computer network, that would permit the dollar value of a motorist's gasoline purchase to be transferred from the motorist's bank account to the oil marketer's bank account in less time than it takes the customer to get the nozzle back into the dispenser boot.

The people who provide such services usually charge a nominal service fee, says Upton. If all of the estimated daily gross figure is considered, he adds, a fee of one-half of 1% would generate $2.5-million a day. A 3% fee would generate $15-million a day.

A relatively small number of financial organizations could emerge with the lion's share of business if the nation does, indeed, turn to automated cash-transfer dispensing, he says, and none wish to be left out. NPN

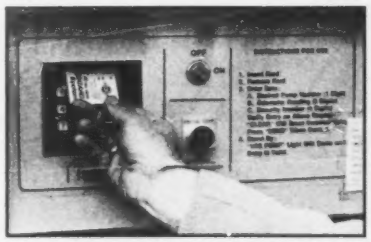


Photo by Peggy Swart

Banks, credit card issuers, computer and petroleum equipment firms are vying heatedly to wire existing technology for automated cash transfers at the gasoline pump.

Earnings in 1981 Soft But Substantial

Oil company profits in the year 1981 were generally on the weak side although that did not deter at least ten of the leaders from racking up anywhere from $1-billion to more than $5-billion in net earnings [see table].

There were many minus signs in the fourth-quarter and year-end reports. Except for one company, however, the negative results were not losses per se, they merely reflected the fact that the companies did not make as much as they did in the preceding year.

The one company that took a bath in its 1981 earnings was Cities Service. It discontinued its plastics business and wrote off $290-million in the process. That gave Citgo a net loss of $49-million for the year compared with a net gain of $478-million in 1980.

Sloppy product prices, declining consumption and the general downturn in business all contributed to the weak returns in 1981.

Companies that earned a billion or more were Exxon, Mobil, Texaco, Standard of California, Standard of Indiana, Gulf, Shell, Atlantic Richfield, Standard of Ohio and Sun. Conoco made $1-billion in 1980 but because it was merged into DuPont last year, it will be hard to relate its earnings to past performances. NPN

Income Scoreboard: How Oil Fared in 1981

(Millions of dollars)

Company	4th Qtr. 1981	4th Qtr. 1980	% Chng.	Full Yr. 1981	Full Yr. 1980	% Chng.
Exxon	$1,065.0	$1,340.0	(20.5)%	$5,565.0	$5,650.0	(1.5)%
Mobil	588.0	558.0	5.4	2,434.0	2,813.0	(13.5)
Texaco	507.0	500.0	1.4	2,310.0	2,240.0	3.0
Stand. of Calif.	571.0	615.0	(7.2)	2,380.0	2,400.0	(1.0)
Stand. of Ind.	384.0	402.0	(4.5)	1,921.8	1,915.3	—
Gulf	301.0	304.0	(1.0)	1,230.0	1,140.0	7.9
Shell	458.0	409.0	12.0	1,701.0	1,500.0	13.3
Atl. Richfield	469.8	398.3	18.0	1,671.3	1,651.4	1.2
Stand. of Ohio	477.8	475.8	—	1,946.0	1,811.0	7.4
Sun (a)	488.0	30.0	1,526.6	1,076.0	723.0	48.8
Phillips	186.5	287.0	(35.0)	897.4	1,069.6	(17.8)
Getty	216.5	211.1	2.6	856.9	871.7	(1.7)
Union	236.0	177.2	33.2	791.4	647.0	22.3
Amerada Hess	48.2	106.6	(54.8)	212.6	540.2	(60.6)
Cities Service (b)	(275.0)	107.8	—	(49.2)	477.5	—
Marathon	40.1	55.3	(27.5)	343.1	379.0	(9.5)
Ashland(*)	47.5	20.2	135.1	—	—	—
Kerr-McGee	66.0	51.8	27.4	211.1	182.2	15.9
Diamond Shamrock	59.7	54.6	9.3	230.2	201.2	14.4
Murphy	41.4	45.6	(9.2)	165.9	150.5	10.2
Amer. Petrofina	17.0	19.3	(12.0)	74.1	104.3	(29.0)
Pennzoil	54.8	77.5	(29.2)	221.6	308.5	(28.2)
Quaker State	6.7	5.5	21.8	27.4	25.8	6.2
Tosco	30.1	(9.8)	—	22.6	46.1	(51.0)

(a) Includes $299-million for sale of some U.S. and Canadian assets; (b) Reflects loss of $290-million in discontinuance of plastics business; (*) 1st quarter, fiscal ends 9/30/82.

The New Big Spenders

Convenience Chains Fight for Volume

Gasoline was once just another item for them, but today major convenience store chains are posturing for what could become a knockdown, drag-out fight with large independents and majors for market share at the retail level.

Many small jobbers, service stations and C-stores could be caught in the crossfire and severely hurt.

Some things the large chains are doing now that prove their commitment to motor fuel marketing include:

- **Huge investments.** The larger chains are matching the big gasoline marketers in multipump C-store expenditures. Many are being constructed in the $500,000 to $750,000 per unit range. At least one investment has exceeded $1-million.
- **Direct purchase deals.** The chains, for the most part, have gained much expertise in motor fuel buying. Agreements now are being made to buy directly from the refiners or other sources who have the lowest wholesale prices.
- **High volume targets.** The chains, with big, elaborate installations, now seek minimum volumes of 100,000 to 150,000 gal. a month. This is in line with most large gasoline marketers who operate "su-

By Bonnie J. Davis
Operations Editor

per" size convenience outlets.

Gasoline marketing in the 1980s, say some C-store chains, just might belong to them: the chains have come of age in their gasoline buying and retail practices.

According to the 1981 *Convenience Store News* Industry Report, gasoline sales totaled $8.1-billion of the $22.7-billion in total convenience store sales in 1980. This was a 55% increase over 1979. The report also states that about 44% of all C-stores offer gasoline, a 4% increase over the previous year.

An *NPN* survey found that of the 19,502 stores affiliated with the top 20 chains, 9537 have gasoline facilities, or 49% [see table].

The larger chains are making the biggest commitments to gasoline. Southland Corp. (with its 7-Eleven and Super 7), Circle K, National Convenience Stores (NCS) and Jitney-Jungle are four chains firmly dedicated to gasoline with plans to expand in this area. Southland recently opened its first "tri-combination" in Dallas, with a 7-Eleven, Chief Auto Parts Store and "Super 7" gasoline outlet all sharing a common site [NPN—Jan. p47].

NCS has seven Stop N Go "Superstores," outlets which feature eight- to 16-hose gasoline operations combined with oversize C-stores.

Jitney-Jungle says all future construction of its Jr. Food Marts will have gasoline facilities. It already has large super pumpers with some units. Circle K recently opened its first eight-hose outlet with a C-store in Albuquerque, N.M., the first of several of these units planned.

Big-Time Investments

The per-unit investments in "super" store gasoline combinations being made today by the large chains are a far cry from the typical low-cost, two-dispenser installations of the early 1970s.

Today's multipump supersize outlets can represent investments ranging from $225,000 to more than $1-million, depending on the cost of real estate and the size of the C-store attached. The units usually are projected to average 100,000 to 150,000 gal. a month with inside sales ranging from $30,000 on upwards.

• Jitney-Jungle

Jitney-Jungle is the Jackson, Miss., based chain of 336 outlets in 17 states in the South and Southeast. All of its units offer gasoline.

Lee Crook, director of franchise development for the chain, says the company estimates that the cost of its super pumpers with 10 to 12 hoses and an 800-sq.-ft. C-store is $225,000 with between $80,000 and $100,000 for gasoline equipment alone. This compares to an estimated $150,000 for its standard 2,200-sq.-ft. Jr. Food Marts with four hoses.

The super pumpers average 100,000 gal. a month with $20,000 inside sales, while the standard stores sell between 35,000 and 40,000 gal. a month with inside sales ranging from $25,000 to $40,000 a month.

Crook says the minimum sales requirements for the super pumpers are 85,000 gal. a month with $16,000 inside sales.

The regular Jr. Food Marts must sell 25,000 gal. a month with $30,000 inside sales to break even.

The gasoline margin for the Jitney-Jungle chain averages 8¢ gal., varying from location to location. Almost all of the units operate with one person per shift and the majority are pre-pay operations.

Crook says Jitney-Jungle plans to build the smaller C-stores with its multipump operations, building these units in metropolitan areas with populations over 100,000, such as Dallas and Houston.

• Circle K

Circle K is the nation's second largest C-store chain with 1,214 stores, 776 with gasoline. The stores sell the company's "Aero K" brand gasoline and in 1980 the chain sold 192.5-million gal. Gasoline accounted for 35.2% of the company's total sales that year.

The company was scheduled to open its first eight-hose store in Albuquerque this month.

Mike Sroda, Circle K gasoline marketing manager, says that the average Circle K C-store with four hoses averages 30,000 gal. a month, accounting for about 45% of total sales at the unit.

The multipump operations, he says, will have to dispense 60,000 to 70,000 gal. a month to break even, but are projected to double that amount and account for 65% of the total sales at a typical unit.

The Circle K C-stores average 2,400 to 2,500 sq. ft. and usually operate with one or two employees per shift. All the gasoline outlets are pre-pay.

• National Convenience Stores

NCS, the Houston-based chain, has 965 stores, 588 which sell gasoline. Included in this figure are its Superstores, outlets that feature eight to 16 hoses combined with 3,600- to 4,800-sq.-ft. C-stores. NCS's standard store averages 2,650 sq. ft. The company plans to sell 200-million gal. of gasoline in fiscal 1982.

Jerry R. Welch, NCS's vice president of finance, says the Superstores' average cost of construction is $750,000, with $100,000 of this amount spent for gasoline equipment. The cost of building standard units with four hoses is estimated at $400,000. [See profile on following page.]

All NCS's units are pre-pay, operating on an average margin of 7¢. The Superstores pump between 100,000 and 150,000 gal. a month and the standard stores, 33,000 gal. a month.

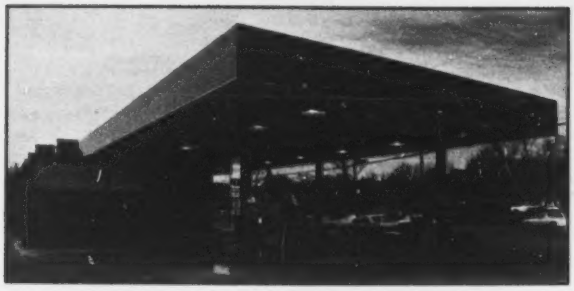
Gasoline sales at an average Superstore account for 50% of the unit's total sales, says Bob Chramosta, NCS's gasoline marketing manager. Welch adds that the Superstores do between two-and-a-half and four times the business of NCS's standard outlets.

• Southland

Southland is the nation's largest C-store chain with almost 7,000 stores. Its tri-combination in Dallas cost an estimated $1.3-million to put into service

Convenience Store Chain	Total Stores	Stores with Gasoline
Southland	6987	2421
Circle K	1214	776
Sun—Stop-N-Go Fast Fare Zippy Mart	1189	650
Cumberland Farms	1105	403
Convenient Food Mart*	1033	417
Munford	990	471
National Convenience Stores	965	588
UtoteM	951	600
The Lawson Co.	702	34
Atlantic Richfield	700	700
The Pantry	477	410
Little General Stores	459	209
Shop & Go	404	230
Cities Service	370	370
Sunshine Jr. Stores	354	307
Dillon Companies	348	248
Jitney-Jungle	336	336
Casey's General Stores	332	332
High's Dairy Stores	326	35
White Hen Pantry	260	0

*Convenient Food Mart's largest regional franchisee is CONNA Corp., which has 416 C-stores, 314 with gasoline facilities.



Southland's Super 7 (left) and Jitney-Jungle's Jr. Food Mart prototypes are examples of the expanded and expensive multipumpers being built today by the C-store chains. Located on major thoroughfares, the units are aiming for volumes of 100,000 gal. a month and up.

[above]. The Super 7 outlet is projected to move between 150,000 and 200,000 gal. a month, says Southland, and on a 6¢ per gal. margin. The Super 7 unit is located in front of a 2,400-sq.-ft. 7-Eleven and similar size Chief Auto Parts store, both Southland-owned operations.

The Dallas unit is the first of its kind for Southland. Of the 6,987 7-Eleven stores in the chain, 2,421 sell gasoline. This accounted for almost $913-million in gasoline sales alone for 1980, or 23% of total sales for the C-store chain.

Adept Buyers

The convenience store chains have learned a great deal about gasoline purchasing since the early 1970s when jobbers introduced them to branded and unbranded product buying practices.

In the early stages, the jobbers often made commission deals with the store operators. Typically, one would install a couple of dispensers at a low investment, then pay the store owner 2¢ gal. The store operator was pleased if his rent was covered.

As time passed, however, the C-store operators became increasingly aware of the total margins between refiner wholesale postings and retail prices. They began seeking a bigger piece of the pie.

For awhile, especially during the period of supply allocations, jobbers were able to hold their store accounts at bay, although many had to start splitting total rack-to-retail margins with the stores.

During the brief supply shortage periods, the store chains were forced to scramble for gasoline supply, much the same as most other marketers. The chains learned how the "spot market" operates in addition to the other intricacies of buying gasoline at wholesale. It was during this period when many chains began hiring expert gasoline buyers from major oil companies.

For example, Circle K's Sroda came from Texaco, NCS's Chramosta from Shell and the buyers for Southland (Sam Susser) and Cumberland Farms (Bob Quinlan) have strong gasoline backgrounds.

Today, a few chains still have supply arrangements with jobbers, but most want to go directly to the refiners or other primary sources of supply. A few of the larger chains have become expert enough with large enough volumes to purchase in barge or pipeline quantities at the lowest spot market prices available.

This means they may be buying product at times 3¢ gal. below the lowest price being paid by a branded jobber.

All the gasoline buyers interviewed say they are paying at least the prevailing rack prices for product. According to one industry source, the original agreement struck between Chevron and Circle K called for the latter to pay 3.5¢ gal. below the dealer tankwagon price for Chevron product. Circle K buys 43% of its gasoline from Chevron.

Woody McFarland, director of petroleum operations for Munford, Inc., which operates 471 gasoline units at its Majik Markets, says about three-fourths of his company's gasoline purchases are bought direct from the refiner. Gulf Oil is a major supplier to Munford.

Some 70% of the gasoline NCS buys is direct from the refiner, says Chramosta, and one refiner supplies 25% of that amount.

All of the buyers say they use several suppliers, hedging against another shortage.

New Squeeze Action

In effect, the very large convenience store chain and large gasoline chain retailer with C-stores may be starting out "from the gate" now at roughly the same buying price. Because each has his operations geared to where he can go below 5¢ gal. rack-to-retail and still break even, the typical jobber or dealer who requires a much larger margin is caught in a squeeze.

If the two forces begin fighting each other to reach or maintain their motor fuel gallonage requirements in a particular market, it may well be that the knockout punch, inevitably, will be delivered to the many "conventional" marketers who need bigger margins in a hurry.

Innovative NCS:
Nonplusing the Competition with Superstores

In 1979, when National Convenience Stores, Inc. (NCS) opened its first "Superstore"—a 3600-sq.-ft. C-store with eight gasoline dispensers out front [see the cover]—competitors called it "Van Horn's Folly," mocking the company's president and chief executive officer V. H. "Pete" Van Horn. The competition stopped laughing when the Houston-based chain's gargantuan C-store/multipumper became profitable in its second month.

NCS is an excellent example of how some major C-store chains are now making heavy capital commitments to the retail motor fuel business.

Today, it has 950 stores in 11 southern and southwestern states, operating under the names Stop N Go, Shop N Go, Super Duper and Hot Stop. Some 588 offer self-service gasoline and the company projects that gasoline sales for its 1982 fiscal year will top 200-million gal.

NCS builds its stores big and doesn't back away from very large investments.

The company spends about $400,000 to build just a standard size (2,650-sq.-ft. store with four self-service hoses) NCS unit, a figure that many large gasoline marketers would consider their maximum investment. These stores feature the latest in equipment and are on prime locations. But the cost is only the beginning in terms of what NCS calls its "Superstore."

The average investment for one of these gigantic units is $750,000 (including real estate) with the gasoline equipment alone exceeding $100,000. These stores range in size from 3,500 to 4,800 sq. ft., with one as large as 5,500 sq. ft. They have from eight to 16 gasoline hoses.

NCS operates seven Superstores and plans to open six to 10 more this year. Each unit is expected to do two-and-a-half to four times the business of NCS's stan-

A major feature of the Superstores is that gasoline islands and stores are connected by attached canopies, offering full protection from the elements for customers.

Some of the outlets boast a pneumatic tube system, similar to those at a drive-in bank. With the pneumatic tubes, a customer doesn't have to walk into the store. As with the standard Stop N Go units, all of the Superstores are equipped with intercom systems. In addition, the Superstores have water and air units.

All of these features are included as the result of ongoing customer surveys, says Chramosta.

Chramosta, who does all the gasoline purchasing for the company, says the chain's average margin is 7¢ gal. with posted prices for regular grade usually 2¢ to 4¢ below branded majors. Welch says margins at the Superstores are comparable to those at the two-pump outlets.

Like many large chains, NCS buys 70% of its product directly from refiners. About 25% of the direct purchases are made from one supplier. In addition, supplies are purchased from some jobbers and in larger barge quantities.

Chramosta says he bases his purchases on price and a supplier's past performance during shortfall periods.

Most of the gasoline sold at NCS stores is sold on an unbranded basis.

Wide Merchandise Mix

The average NCS C-store carries 3,000 different items, including fast food. The additional space at the Superstores is devoted to an expansion of fast food and non-food categories.

The Superstores place a greater emphasis on NCS's Hot Stop line of fast food and pre-packaged meals, which include not only sandwiches but offer entrees such as meatloaf and lasagna. The items are merchandised in fast food centers that provide microwave ovens, beverage counters, condiment areas and inside seating. The food centers operate on a self-serve basis.

Some of the stores have fresh pastries and offer scoop ice cream or draft beer. The Superstores usually have three employees on duty.

Also, the big NCS stores carry a wide variety of automotive items and stock records and tapes as well.

The Superstores, as with the standard NCS outlets, have coin-op video games, with the largest Superstore housing a separate game room with 11 video games. The room is soundproofed and isolates the noise and loitering from the main store.

Last year, NCS's stores averaged $649,000 in sales, a figure that includes both units with gasoline and those without. According to Welch, the average margin on inside sales is between 30% and 35%. He adds that all NCS stores are profitable within two to three months of becoming operational.

Even though additional employees are needed to operate the Superstores, says Welch, the stores more than cover the additional overhead.

Welch, Chramosta and NCS view the Superstore as the "wave of the future" for the convenience store business. If the maverick NCS proves accurate in its planning, with its sights set on big volume motor fuel sales, it could be Van Horn and his "folly" sharing the last laugh in the modern oil market.

Ranging in size from 3,600 to 5,500 sq. ft., the NCS Superstores stock an average of 3,000 items and offer expanded fast-food and non-food lines such as automotive. Spurring impulse sales at some stores are inside seating and video game areas.

More Gasoline Being Sold at More C-Stores

Although the pace has slowed from the hectic days of the early 1970s, the uphill climb of gasoline sales in the convenience store channel continues to be impressive.

This is confirmed by the latest pair of reports on gasoline and groceries from private and government sources. The private report covers the year 1980; the federal report, 1981 with a projection for 1982.

The independent research, the 11th annual "Dollars Per Day Survey of the Small Food Industry," indicates that C-stores sold about 5.3% of all the gasoline marketed in the U.S. in 1980.

Consumption declined in 1981 but industry sources believe the 5.3% percentage probably held up in 1981; possibly even improved because convenience store chains seem to have been more active in gasoline additions than conventional retail-oriented oil marketers.

The Dollars Per Day study is prepared by John F. Roscoe of Walnut Creek, Calif., a C-store chain operator in his own right. His study covers only about a third of the entire C-store industry, however—the 12 chains that are publicly owned.

These chains operated 12,445 stores in 1980, of which 44.45%, or 5,533 units,

Gasoline Total Trebles in Seven Years

Survey Report	No. of Stores	No. of Stores with 'Gas' Units	% Increase	No. of 'Gas' Units Added During Year	No. of Stores with 'Gas'
1981(a)	12,445	5,533	—	442	44.45%
1980	13,167	5,630	9.3%	447	42.76
1979	12,920	5,153	12.4	569	39.88
1978	12,597	4,584	20.8	792	36.38
1977	11,953	3,792	36.1	959	31.72
1976	11,356	2,786	29.7	557	24.53
1975	10,143	2,147	9.3	194	21.16
1974	9,258	1,964	—	—	21.21

(a) Variance results from elimination of one chain in 1981 study
Source: 11th Annual Dollars Per Day Survey of the Small Food Industry, John F. Roscoe, Walnut Creek, Calif., issued January, 1982.

dispensed gasoline. The total included 442 new gasoline facilities in 1980 compared with a total store growth of only 205 units.

The 44.45% ratio of gasoline stores was up modestly over the preceding year's 42.76%. The growth of 1.69% was the lowest in years. In 1980, the growth rate over 1979 was 2.88% and in preceding years the growth rate had been ranging as high as 7% or so.

By sheer size, Southland is the biggest gasoline vendor in the C-store industry. Of its 6,895 stores in 1980, 2,246 sold gasoline, or 33% of Southland's units.

Percentagewise, Hop-In and Sunshine Jr. fared better, however. Of Hop-In's 152 stores, 84% sold gasoline. Of Sunshine's 353 outlets, 82% marketed gasoline.

Roscoe, in his report, estimates there are 39,000 convenience stores in the industry. If the 44.45% ratio is applied here, it could be assumed that 17,336 C-stores had gasoline facilities in 1980.

He notes that the 12 chains in his survey accounted for about 1.9-billion gal. of gasoline sales in 1980. With the same extrapolation as mentioned above, this would give the C-store industry a volume of about 5.8-billion gal., in terms of the study. The national market in 1980 was about 109-billion gal.

Roscoe says the average margin for gasoline in the C-store channel in 1980 was 6¢ gal.

One company fared much better, however, in the breakdown that was available. This was National Convenience Stores which averaged 7.2¢ gal., according to company sources.

In his usual editorial commentary on the latest survey, Roscoe warns C-store operators:

"Gasoline is a little like game machines. Gasoline will produce some margin dollars but not enough to pay a significant portion of your expenses."

He then cites an involved example which indicates that the "gasoline margin is supplying just 25% of the total margin required to break even."

He adds, however, that "gasoline is a product you should probably sell. It undoubtedly increases store traffic. Unfortunately, convenience store operators don't seem to be able to capitalize on customer traffic.

"Unless the concept includes a way to sell customers more than convenience items, gasoline traffic will never be much of a bonanza to store owners.

"Gasoline customers typically buy gasoline from you because you have the best gasoline price. Price customers know better than to give the money back to you in the store."

Government Data

The federal report on C-stores deals only with franchise operations.

Thus the population it discusses accounts for 16,000 to 17,000 stores—considerably less than half of the presumed total population of 39,000.

The figures are meaningful, however, because they isolate and identify trends.

This report is prepared by the U.S. Commerce Department's Bureau of Industrial Economics. The current one is entitled, "Franchising in the Economy 1980-1982."

It estimates the 1981 franchise population at 16,255 and forecasts a growth to 17,312 in 1982 [see table for details].

Business is booming in the C-store industry, at least in terms of cash flow and the dollar totals. According to the government figures, these C-stores grossed $8.7-billion in 1981 and are expected to rise another $400-million in 1982 to $9.1-billion. How much of this is growth and how much inflation is not indicated in the study.

The accompanying tables are self-explanatory, though it should be borne in mind that the Dollars Per Day study involves only 12 chains and the Commerce Department report considers only franchise operations. The numbers therefore are not comparable and must be viewed as trends only. —J. Richard Shaner.

Government Convenience Store Projections

Item	1982(a)	1981(a)	1980
Total number of establishments	17,312	16,255	15,614
Company-owned	10,076	9,694	9,679
Franchisee-owned	7,236	6,561	5,935
Total sales of products and services (add $000)	$9,052,060	$8,653,224	$7,821,186
Company-owned	5,557,297	5,087,539	4,722,845
Franchisee-owned	3,494,763	3,565,685	3,098,341
Average sales per establishment	$523,000	$532,000	$501,000
Company-owned	552,000	525,000	488,000
Franchisee-owned	483,000	543,000	522,000
Employment	—	—	108,877
Company-owned	—	—	68,667
Franchisee-owned	—	—	40,210

(a) Data estimated by respondents.
Source: "Franchising in the Economy 1980-1982," Bureau of Industrial Economics, U.S. Department of Commerce, issued Feb. 1, 1982.

Distribution by Number of Establishments (1980)

Size Groups	Franchising Companies Number	Establishments Number	Establishments Percent	Sales ($000)	Sales Percent
Total	28	15,614	100.0	7,821,186	100.0
1001 and Greater	4	10,084	64.6	5,600,592	71.6
501-1000	3	2,283	14.6	884,580	11.3
151-500	8	2,646	16.9	1,108,836	14.2
51-150	7	499	3.2	169,518	2.2
11-50 } 0-10 }	6	102	0.7	57,660	0.7

Quotable Quotes

In his latest report on C-stores and gasoline, John F. Roscoe came up with some observations that often were tinged with sarcasm and irony.

Here are some of them:

- "Convenience stores have figured out how to hold down prices and help ruin the market for the traditional [gasoline] marketer. They have not yet figured out how to merge food and gasoline to their advantage."

- "The gasoline business has always been in turmoil. The margins being developed today are probably normal margins. In recent years we have been lucky to have a couple of good gasoline shortages when margins were good. I was surprised to read in some of the annual reports that the present situation is unusual. Low margins are usual in the gasoline business."

- "There are too many gasoline retailers in the business today. We will probably lose at least another 100,000 [sic] gasoline retailers in the next few years. Gasoline margins are likely to be even lower as this process accelerates."

- "Gasoline now represents 31% of the total sales of the chains in the survey. It's closer to 40% if you eliminate 7-Eleven from the computation. It's more than 50% of the dollar sales if you just count units that sell gasoline. The rub is that it represents about 15% of the total margin dollars for the typical store."